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CMS SOLICITS STATE APPLICATIONS FOR MEDICAID HEALTH OPPORTUNITY ACCOUNT DEMONSTRATIONS

In a continuing effort to modernize Medicaid, 10 states will be chosen to demonstrate whether Health Opportunity Accounts, in combination with high deductible insurance plans, is an efficient way to deliver health care benefits to Medicaid beneficiaries, according to an announcement made today by Leslie V. Norwalk, acting administrator for the Centers for Medicare & Medicaid Services (CMS).

Under Section 6082 of the Deficit Reduction Act (DRA) of 2005, states have new options for delivering health services under Medicaid, a state-federal partnership program for certain low-income populations.

"Health Opportunity Accounts give enrollees a greater stake in their health care spending and empowers them to become smarter health care shoppers," HHS Secretary Mike Leavitt said. "These accounts will help more American families get the health care they need at a price they can afford."

CMS today sent a letter to state Medicaid directors outlining this innovative plan to have states set aside cash accounts for Medicaid enrollees that can be used to pay for medical expenses in order to meet the out-of-pocket costs associated with high deductible insurance plans. The insurance plans offered to Medicaid enrollees who volunteer to participate in the demonstrations will encompass all standard state Medicaid benefits.

"The goal of setting up these accounts is to give participants a greater role in their own health care decision-making," Acting Administrator Norwalk said. "We think that these plans will reduce inappropriate use of health care services as states step up their efforts to educate consumers on how to manage their health care needs."

The DRA allows states to use state funds, and federal matching dollars, to deposit up to \$2,500 per adult and \$1,000 per child into a Health Opportunity Account. Persons who become ineligible for Medicaid, but have remaining balances in their Health Opportunity Account, can use the balance for up to three years to cover medical expenses or to purchase private health insurance coverage. Individuals who have had a Health Opportunity Account for more than one year before becoming ineligible may use any surplus funds for such things as job training programs or tuition payments.

Medicaid beneficiaries 65 and older, persons with a disability, pregnant women, and those who have only been eligible for medical assistance for less than three months will not be eligible to participate. Beneficiaries in hospitals, nursing homes and other medical institutions will also be excluded from the demonstrations.

States wishing to conduct Health Opportunity Account demonstrations are required to design programs that include the following actions:

- Create patient awareness of the high cost of medical care;
- Provide incentives to patients to seek preventive care services;
- Reduce inappropriate use of health care services;
- Enable patients to take responsibility for health outcomes;
- Provide enrollment counselors and ongoing education activities;
- Allow transactions involving health opportunity accounts to be conducted electronically and without cash; and,
- Provide access to negotiated provider payment rates.

“Consumers deserve to know the quality and cost of their health care,” Secretary Leavitt said. “Health Opportunity Accounts offer enrollees incentives to seek necessary preventive care services and to make health care decisions based on value.”

Letters to all state and territorial Medicaid programs include applications to participate in the five-year demonstrations.

For more information about the program, visit the CMS Web site at <http://www.cms.hhs.gov/smdl/smd/list.asp?>.

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